

## **Pension obligations need to be a priority**

**By Iliya Atanasov**

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Massachusetts's public employee pensions are a growing burden on the state, even though it has gradually decreased its share of pension contributions, forcing employees to increase theirs. Solving the problem will require the most difficult of political feats: making a long-term problem an immediate priority.

By 2010, the state's share of the cost had declined to 2.6 percent of payroll while the employees' share had climbed to 9.1 percent. Even so, a huge pre-existing unfunded liability means the governor's 2015 budget includes \$1.8 billion for pension payments.

Citizens nationwide are increasingly alarmed by the condition of state and local retirement systems, as evidenced by the number of ballot measures that have been approved to reduce the fiscal burden of public-pension funding. Public employees should be concerned as well — about the frequent mismanagement of public pensions that has helped precipitate this trend.

Central Falls, R.I., emerged from bankruptcy in part because of a plan to make significant pension cuts; its youngest retirees will see their pension benefits slashed by up to 55 percent. In Phoenix, Arizona, voters passed propositions 201 and 202, which among other things require employees to contribute half the funding for their retirement and pushes back the age of pension eligibility. San Diego's new municipal employees won't get a pension at all. Instead, the city will contribute to a 401(k). In San Jose, California, voters gave workers a choice: increase their personal contribution or switch to a lower-cost plan with fewer benefits. Detroit filed for bankruptcy because of excessive debt, including massive retirement liabilities. Chicago seems to be on a similar path and the state of Illinois was too until the recent passage of pension reform.

Massachusetts is far from such drastic measures, but they will become inevitable without meaningful reform. In January, state leaders announced an accelerated funding schedule to eliminate the state's pension liability by 2036, but this is just the tip of the iceberg. Tens of billions of dollars in obligations for retiree health care are not being funded at all.

In 2012, Governor Patrick announced plans to reform retiree health care for public workers by increasing the minimum service requirement for health insurance from 10 to 20 years, raising the minimum age for eligibility and prorating the state's contribution based on years of service. Even though the changes would not apply to current retirees or those close to retirement, the proposal has stalled in the legislature.

But there is a much more important point that seems lost on our leaders: the longer we wait, the more pain will be required to save our public-pension systems. Creating a clear mandate for both the commonwealth and its municipalities to fund all retirement benefits, including health care, by 2040 should be a priority, not an afterthought. The 2015 state budget provides a good opportunity to put such a mandate on the books and start funding it.

State leaders' inaction condemns our police, teachers and firefighters to retire in poverty and threatens our municipalities with bankruptcy. If we don't face the music now, we'll pay a much heavier price down the road.

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